



Restoring the competitiveness of the SME sector in Greece



GR FOR GROWTH: Funding SMEs, June 2014

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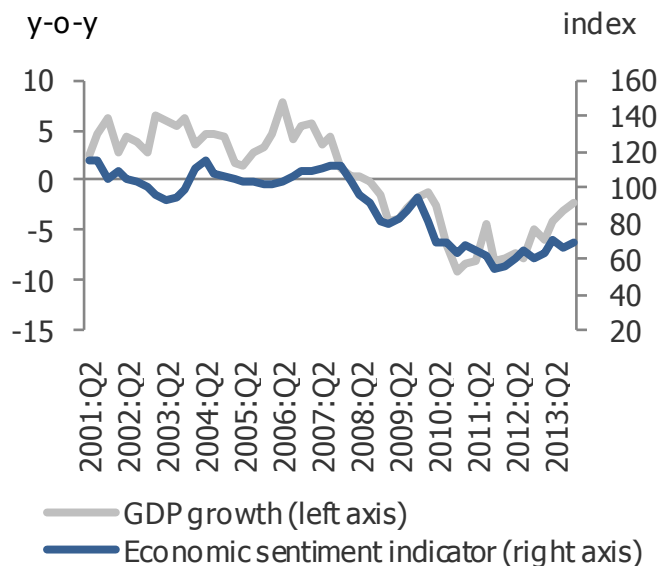
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- **SMEs and the Business Environment**
- NBG leading role in supporting SMEs



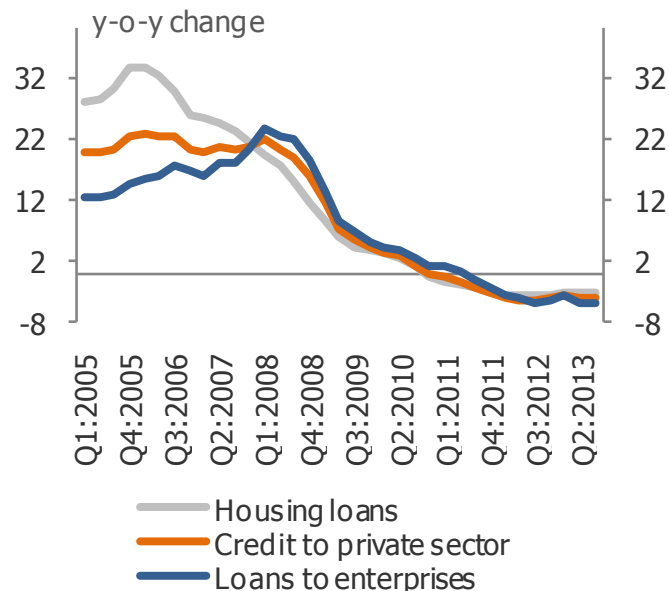
While the Greek economy shows increasing signs of stabilization with a remarkable progress in the fiscal adjustment, liquidity conditions remain tight

GDP growth and economic sentiment indicator



Source: EL.STAT., European Commission

Bank lending to private sector

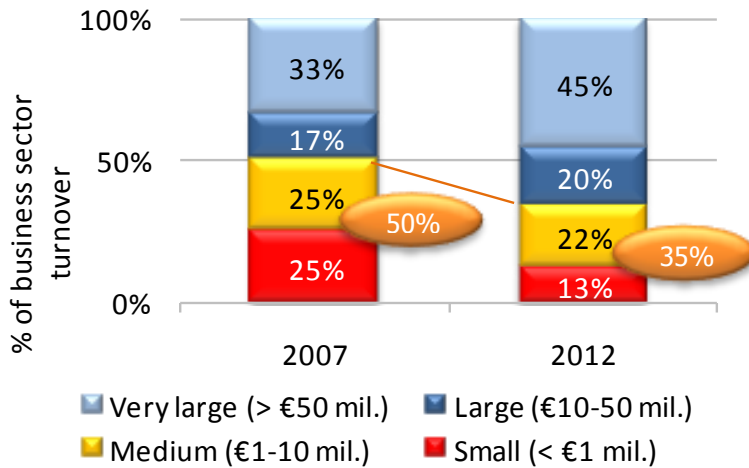


Source: Bank of Greece



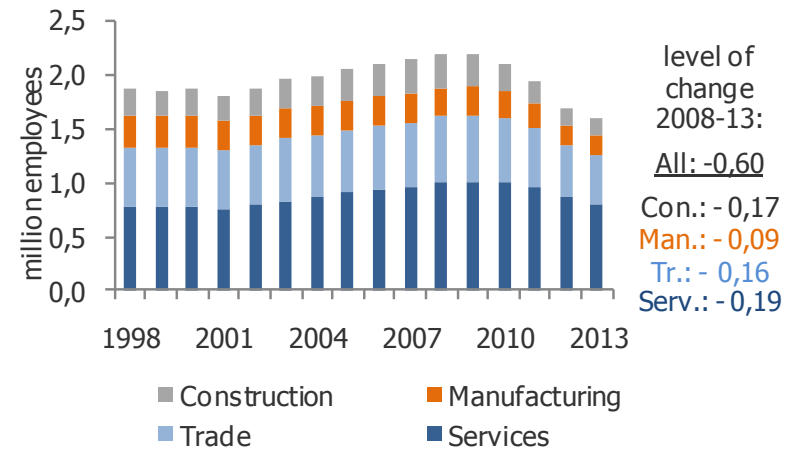
Restructuring of the business sector with significant losses for smaller SMEs

Business sector restructuring



Source: EL.STAT., NBS Survey for SMEs

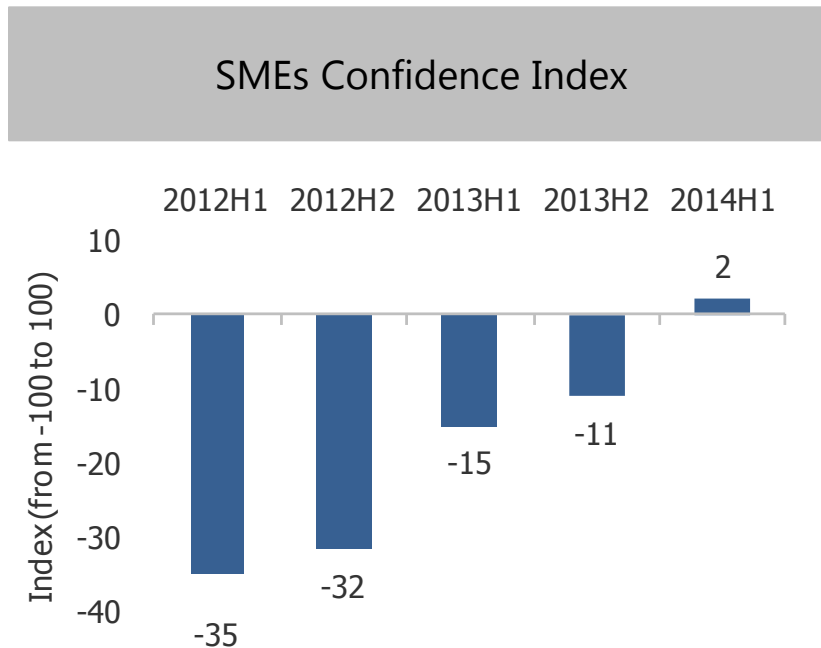
Employment: Small enterprises



Source: EL.STAT. (Labour force survey)



However, currently the business climate is improving and is prompting SMEs to adopt more aggressive investment plans



** The confidence index corresponds to the net balance of answers for decrease (-100), stability (0) and increase (+100).*

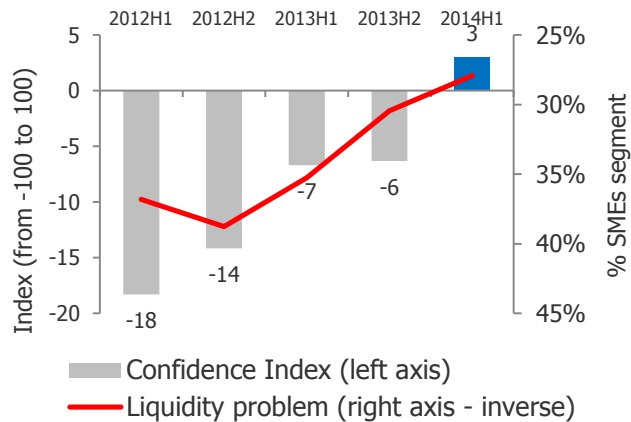
Source: NBG Survey for SMEs

- During the 1st half of 2014, the index turned positive for the first time during the past two years.
- This means that SMEs with positive expectations outweighed those with a negative outlook.



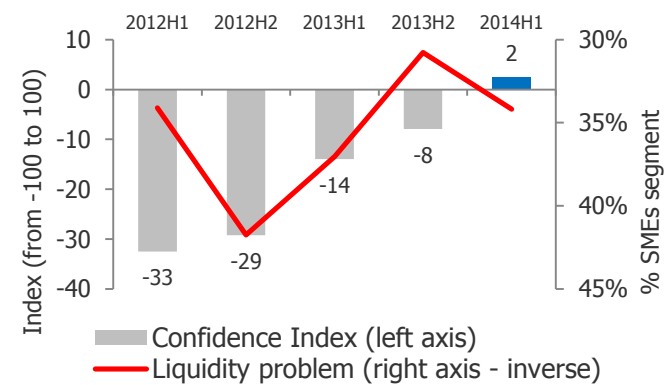
Despite the improvement in business sentiment, liquidity shortage remains a pressing problem that imbeds the revival of the SMEs segment, especially in trade and construction firms.

Manufacturing



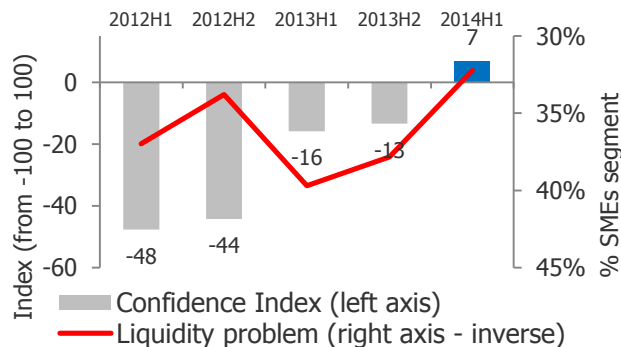
Source: NBG survey for SMEs

Trade



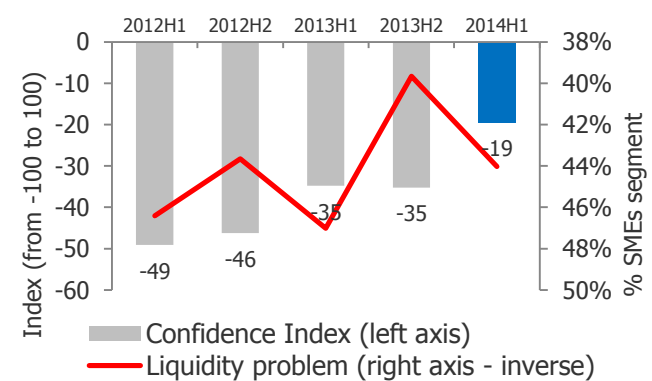
Source: NBG survey for SMEs

Services



Source: NBG survey for SMEs

Construction

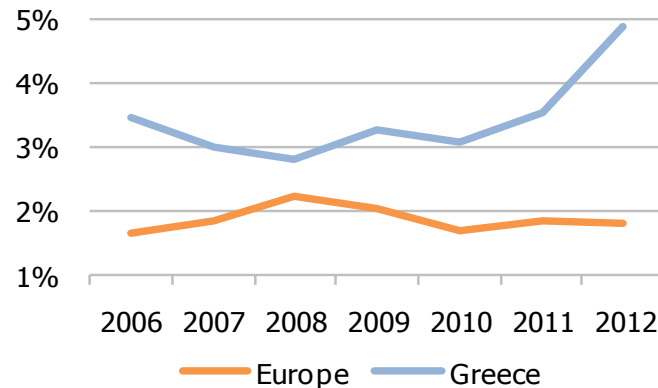


Source: NBG survey for SMEs



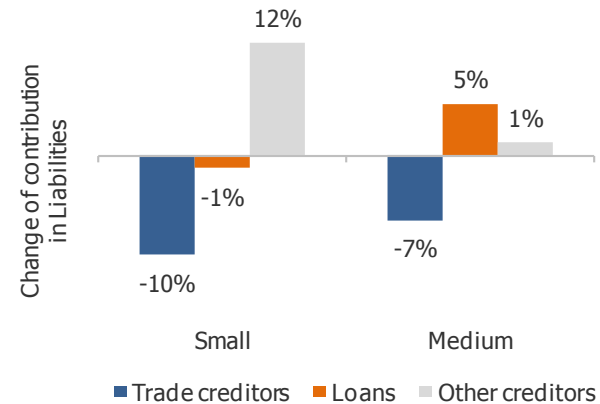
- The wide interest rate spread between the Greek corporate loans and the euro area average is hurting competitiveness, especially for the smaller Greek enterprises
- Reduced trade credit from suppliers has led to a widening liquidity gap which passes through to more delays in loan payments
- These conditions result to 42% of the SME segment in need of financing and not getting it (mainly because they do not apply)

Interest expenses (% turnover):
- enterprises with turnover <€50 mil. -



Sources: Bach database, Icap, NBG estimates

External financing:
Change of contribution (2007 – 2012)



Source: ICAP, EL.STAT, NBG estimates

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National Bank of Greece actively responds to the needs of the SME segment in Greece in a twofold way:

- 1 We take a leading role in channeling the available funding from the European initiatives
- 2 We design the right tools to cover the financing gaps of the Greek SMEs



Co-funded programs

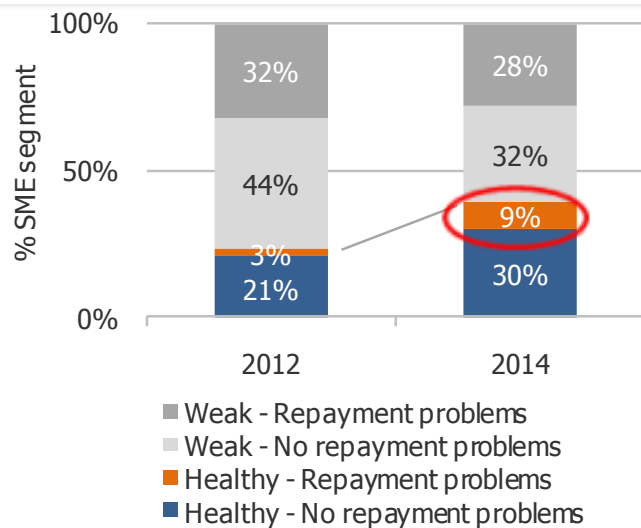
in million €

April 2014			
	 NBG	Market	Share%
ETEAN Fund for "Energy Efficiency in Households"	119,10	304,02	39,2%
ETEAN "Entrepreneurship Fund-Business Restarting"	154,40	496,45	31,1%
Jeremie EIF	53,10	133,58	39,8%
Jessica EIB	40,00	52,90	75,6%
EIB Global Loans (guaranteed by the Greek Government)	250,00	391,00	63,9%
EIB Guarantee Fund (guaranteed by NSRF funds)		193,52	
Trade Finance	42,00	47,00	89,4%
Total	658,60	1.618,47	40,7%



- The share of Healthy SMEs increased to 40% in 2014 (from 24% in 2012)
- However, due to the crisis, a growing share of healthy SMEs (23% from 13% in 2012) are facing liquidity problems and difficulties in paying their loans

Mapping of SMEs' operational health and liquidity



Source: NBG Survey for SMEs

Criteria for the definition of Operationally Healthy SMEs:

- 1. Sales growth** rate during the past 5 years higher than the respective sectors average.
- 2. Debt-to-Sales ratio** lower than the SME segment's average.
- 3. A specific business plan** for the future growth of the enterprise.



While this segment of SMEs face debt repayment problems, they also exhibit healthy operational performance: Strong activity indicators, high resilience to the crisis, export-orientation and strategic innovation activity

NBG proposal:

Extend the use of Financial Engineering Instruments (FEIs) for refinancing existing loans of the operationally healthy SMEs

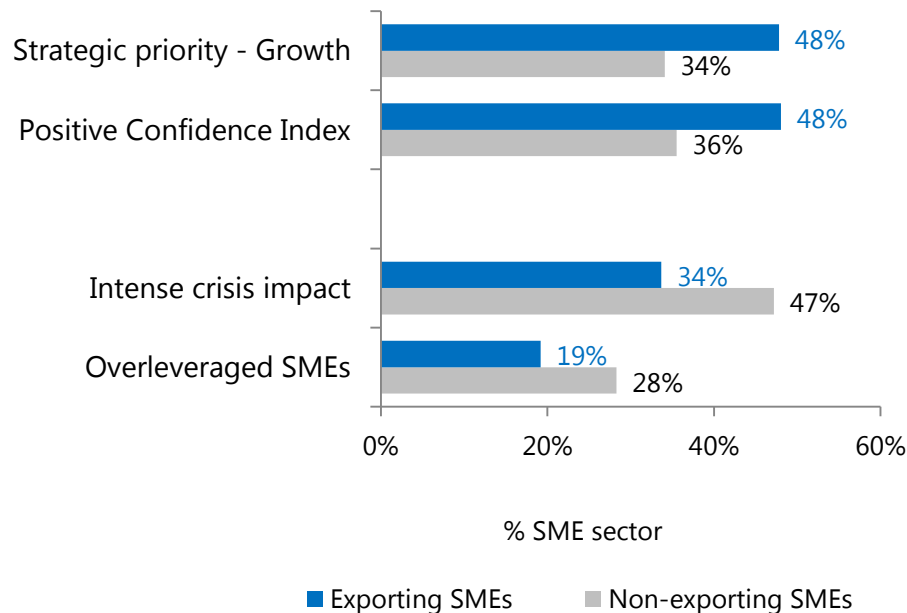
The benefit for the Greek economy by adopting our proposal and supporting operationally healthy SMEs with debt repayment problems is significant, as they:

- cover 9% of the SME sector
- contribute 4% of GDP (€7.5 bn annual turnover)
- contribute 7% of Greek exports (€1.2 bn annually)
- employ 100.000 people



- In Greece, SMEs contribute 35% to total exports vs. 24% for European SMEs.
- Greek export-oriented enterprises stand out as the most healthy and dynamic part of the corporate sector.

Superior performance of exporting SMEs*



However, the majority of companies are underperforming because there is no working capital available to restart their business operations.

* We define as SMES enterprises with an annual turnover of less than €10 mn

Source: NBG Survey of SMEs



In terms of the new National Support Reference Framework (NSRF) 2014-2020, a liquidity injection and working capital reinforcement are of major importance for Greek enterprises.



NBG proposal:

Establish a Mechanism which will provide guarantees to the domestic banking system, in order to Pre-finance the working capital needs of exporting firms.

Two programs:

1. Pre-Financing of Greek exporting companies
2. Supply Chain Finance Program

➔ Each company's request for pre-financing should be documented by an Export Action Plan



- “i-bank Innovation & Technology” Competition
- collaboration with 8 leading Universities

- “i-bank Innovation & Technology” Competition
- accelerator program with Athens University of Economics & Business

- mentoring for participation in EU programs via collaboration with specialized consulting firms
- fund raising at a competitive cost from EN.A. (the ATHEX Alternative Market)
- angel financing
- special loans for start-ups

- strategic alliance with Endeavor Greece for mentoring and supporting new enterprises
- business loans in selected new enterprises according to credit policy



NATIONAL BANK
OF GREECE

At NBG, we are committed in supporting SMEs that have proven their excellence in entrepreneurship by surviving the recent severe crisis.

We actively assist them to find their place in the new growth model for Greece.